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ABSTRACT

An analysis was done of recently released 1990 Census data on wage levels for full-time workers. The analysis found that the proportion of full-time, year-round workers who are paid low wages jumped between 1979 and 1990. In 1979, 12.1 percent of full-time, year-round workers were paid low wages, but 18 percent were paid low wages in 1990. Low wages were defined as too little to raise a family of four to the poverty line. The Census data examined earnings for 7 years between 1964 and 1990. The figures show that the increase in low-wage earning workers reflects a sharp reversal of previous economic trends. Although the proportion of female workers earning low wages is higher than the proportion of men, the proportion of workers with low earning climbed most sharply among men. The proportion of workers paid low wages rose sharply among Whites, Blacks, and Hispanic Americans alike. The shift toward low-paid employment hit young workers the hardest, with proportions essentially doubling from 1979 to 1990. In addition, the statistics indicate that the low-wage workforce defies stereotypes, with the vast majority of low earners not young minorities who dropped out of school. The analysis suggests that the increase in low earning reflects long-term problems with the economy. Statistical data are provided in two graphs and one table. (JB)

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New Census Report Shows Dramatic Rise Since 1979 in Workers with Low Earnings

The proportion of full-time year-round workers who are paid low wages jumped sharply between 1979 and 1990, according to an analysis of just-released Census data by the Center on Budget and Policy Priorities.

The Census study, issued today, found that the proportion of full-time workers paid too little to raise a family of four to the poverty line declined sharply between 1964 and 1974 and remained largely unchanged between 1974 and 1979. But between 1979 and 1990, the proportion rose rapidly, increasing by half.

Some 12.1 percent of full-time year-round workers were paid low wages in 1979, but 18 percent — or nearly one in five — were paid low wages in 1990. The study defined low wages as earnings of less than $12,195 in 1990, and comparable amounts, after adjusting for inflation, in earlier years.

The Census study also reported that the number of full-time year-round workers paid low wages in 1990 — 14.4 million — was greater than in any other year covered by the study, back to 1964.

The jump in full-time year-round workers with low earnings occurred among all groups in the workforce — men and women, whites and minorities, young and older workers, heads of both married-couple and single-parent families, and workers from all educational backgrounds.

The increases were especially sharp among young workers. In 1979, some 22.9 percent of young full-time year-round workers earned low wages; in 1990, some 43.4 percent did.

In fact, the proportion of 18-24 year old male and female workers paid low wages, as well as the proportion of male workers aged 25 to 34 paid low wages, was higher in 1990 than in any year examined back to 1964.

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The proportion of full-time year-round workers with low earnings was particularly high among minorities. One-fourth of black workers and nearly one-third of Hispanic workers were paid low wages in 1990. Despite this, however, most of those paid low wages were white.

Some 70 percent of the full-time year-round workers paid low wages in 1990 were non-Hispanic whites. Three of every four — 77 percent — had completed high school.

The Census report comments that this sharp rise in low earners reflects long-term structural factors in the economy. The report notes that low wages can cause increased poverty, a deterioration in living conditions, and changes in social behavior.

"These data are key to understanding the squeeze in which millions of working families now find themselves," noted Center researcher Isaac Shapiro. "They also buttress earlier research which found eroding wages to be the paramount factor behind the discouraging poverty trends of the 1980s."

Center director Robert Greenstein added, "At a time of increased focus on urban problems, this report merits attention. Much of the political debate following the Los Angeles riots has deteriorated into attacks on programs established a quarter century ago, as though basic changes in the economy played little role. Too little attention has been paid to declines in wages that have depressed incomes and lowered living standards for millions of hard-working Americans in inner cities, suburbs, and rural areas alike."

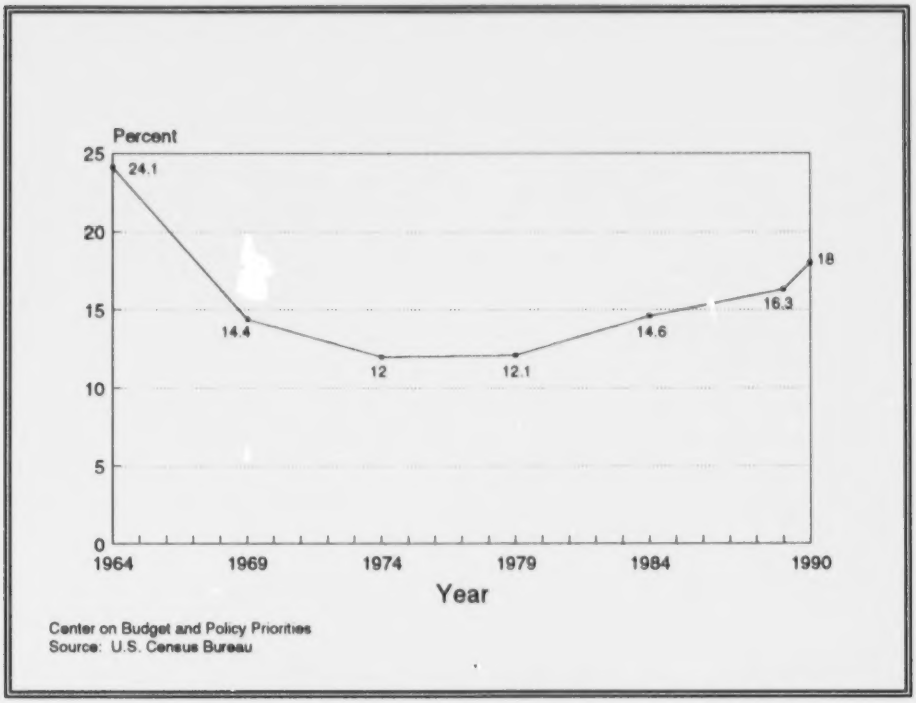
"The sharp drop-off in wages for young workers is particularly ominous," Greenstein noted.

Upswing in Low Earners

The report from the Census Bureau — *Workers With Low Earnings: 1964 to 1990* — examines earnings in 1964, 1969, 1974, 1979, 1984, 1989, and 1990. The report defines low earnings as earnings insufficient to lift a family of four out of poverty in the year examined. The poverty line is adjusted for inflation every year.

The report's findings show that the increase since 1979 in the proportion of workers paid low wages reflects a sharp reversal of previous economic trends. (In the remainder of this analysis, "workers" and "low earners" include only those who work full-time throughout the year.)

Figure 1
Proportion of Full-time Year-round Workers with Low Earnings, Selected Years



- From 1964 to 1974, the share of full-time year-round workers whose annual earnings were less than the poverty line for a family of four dropped by half, from 24.1 percent to 12.0 percent.

- This proportion then remained stable from 1974 to 1979, when 12.1 percent of workers had low earnings.

- But from 1979 to 1990, the proportion of workers with low earnings rose substantially. This proportion climbed not only during the years of high inflation and back-to-back recessions in the late 1970s and early 1980s, *but also during the economic recovery from 1984 to 1989.* By 1990, some 18 percent of all workers had earnings too low to lift a family of four out of poverty.

Increases Occurred Among All Workers

The rise in low earners was not confined to workers of a particular age, sex, race, or educational background. To the contrary, virtually all groups of workers registered sharp increases in low earnings from 1979 to 1990. (See Table 1 on page 8.)

Sex

The proportion of female workers earning low wages is much higher than the proportion of male workers with low wages, but the proportion of workers with low earnings climbed most sharply among men between 1979 and 1990, nearly doubling during this period. In 1979, some 7.7 percent of male workers were paid low wages; in 1990, some 13.9 percent were.

Among female workers, the proportion paid low wages was already high in 1979, when it stood at 20.4 percent. By 1990, the proportion had climbed to 24.3 percent. In other words, nearly one in every four women working full-time throughout the year was paid low wages in 1990.

Race and Hispanic Origin

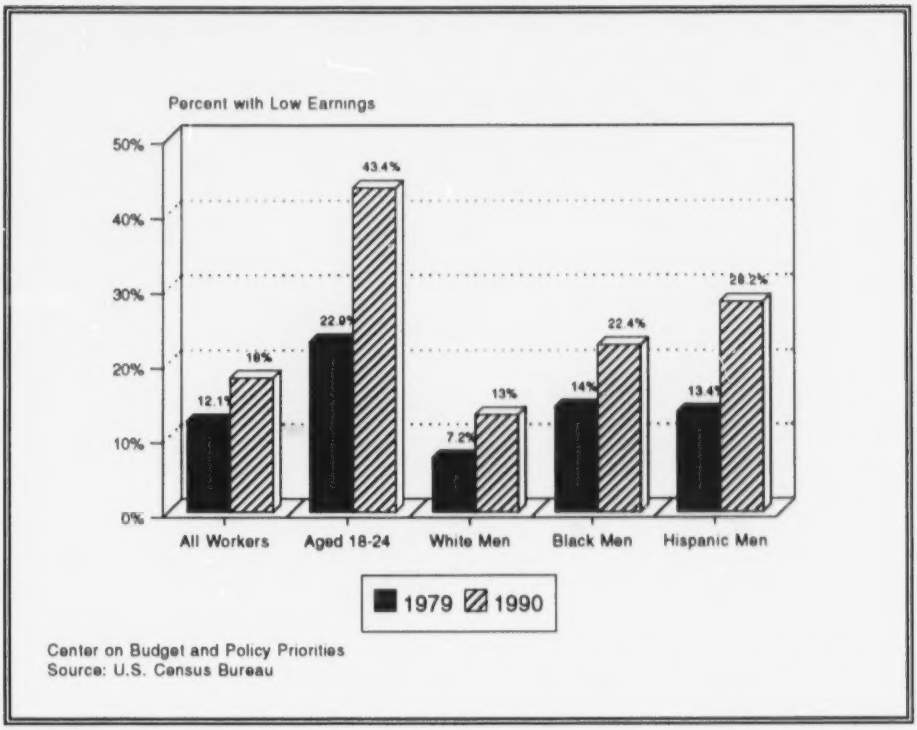
The proportion of workers paid low wages rose sharply among whites, blacks and Hispanics alike. Hispanics may be of any race.

- In 1979, some 11.4 percent of white workers had low earnings. Over the next 11 years, this proportion jumped by half, rising to 17.1 percent in 1990. Among white male workers, the proportion with low earnings nearly doubled, rising from 7.2 percent in 1979 to 13 percent in 1990.

- Some 18.5 percent of black workers had low earnings in 1979; in 1990, 25.3 percent did. Among black men, the proportion of workers with low earnings climbed from 14 percent in 1979 to 22.4 percent in 1990.

- In 1979, some 19.7 percent of Hispanic workers had low earnings, already a high proportion. By 1990, some 31.4 percent did. Hispanic workers experienced the largest rise in low earnings of any race or ethnic group. Among Hispanic men, the proportion of workers with low wages more than doubled, rising from 13.4 percent in 1979 to 28.2 percent in 1990.

Figure 2
Proportion of Workers Earning Low Wages,
Selected Comparisons



Age

The shift toward low-paid employment hit young workers the hardest. Both among workers aged 18 to 24 and among workers aged 25 to 34, the proportion with low earnings essentially doubled from 1979 to 1990.

- The proportion of workers aged 18 to 24 with low earnings rose from 22.9 percent in 1979 to 43.4 percent in 1990, when more than four in every 10 workers in the age group had low earnings.

  Some 39.7 percent of young male workers in this age group had low earnings in 1990, compared to 18.1 percent in 1979. Among female workers of this age, the proportion paid low wages jumped from 29.4 percent in 1979 to 48.1 percent in 1990.

While breakouts for workers aged 18 to 24 by race or Hispanic origin are not published for 1990, the proportion of young minority workers with low earnings is certain to be even higher.

- The proportion of workers aged 25 to 34 with low earnings also shot up, climbing from 8.8 percent in 1979 to 18.4 percent in 1990.

- While the proportion of workers aged 35 to 54 who had low earnings did not rise this precipitously, it still climbed about one-third. So did the proportion of workers aged 55 to 64 who had low earnings.

Education

As expected, the less education a worker has, the more likely it is the worker will have low earnings. Nevertheless, the proportion of workers with low earnings rose about two-thirds for workers of *all* educational backgrounds.

- The proportion of workers without a high school diploma who had low earnings rose from 21.3 percent in 1979 to 36.1 percent in 1990.

- The proportion of workers with a high school diploma (but no college education) who had low earnings jumped from 13.0 percent in 1979 to 21.6 percent in 1990.

- Even among workers with some college education, the proportion with low earnings increased. It climbed from 6.2 percent in 1979 to 10.5 percent in 1990.

Low-Wage Workforce Defies Stereotypes

The vast majority of low earners who work full-time year-round are not young minorities who dropped out of school. Seven in ten workers paid low wages — 70 percent — are non-Hispanic whites.[1] Three in four — 77 percent — graduated from high school. Some 76 percent are 25 to 64 years old.

In addition, about half of the low earners — 47 percent — are male. Some 48 percent are husbands or wives in two-parent families.

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[1] The Census report notes that 82 percent of workers with low earnings were white. The figure for non-Hispanic whites was computed by the Center on Budget and Policy Priorities from the Census data.

Increase in Low Earnings Reflects Long-Term Problems with the Economy

The Census report observes that "Changes in the prevalence of low earnings are apparently caused by structural or long-term factors rather than cyclical factors." This is reflected in the continuing rise in the proportion of workers paid low wages during recovery and recession periods alike. Moreover, the report notes that the proportion of workers paid low wages was much higher in 1990 — when the unemployment rate stood at 5.5 percent — than in 1979 when unemployment was 5.8 percent.

Analysts often compare conditions in the peak year of one economic recovery period to the peak year of another recovery. A comparison of the peak recovery years of 1979 and 1989 provides further confirmation of the shift toward low-wage employment. The proportion of workers paid low wages rose more than one-third from 1979 to 1989.

Consequences of the Increase in Low Earnings

The Census Bureau did not conduct a thorough examination of the consequences of the increase in low earnings. The Census report does, however, suggest that these consequences are likely to be serious. The report states:

> "The level of wages has important implications for living standards and labor force participation and may have important effects on social behavior. At some point, low wages can result in poverty for the worker and the worker's family. But even if the income of the worker remains above the poverty threshold, low wages may make it difficult to pay for basic services like housing, education, and medical care....Finally, low wages affect social behavior in terms of the affordability of marrying, having children, and establishing an independent household."

The report also presents data on the proportion of low earners that live in poverty. Most low earners manage to escape poverty, either because they live in small households (for which the poverty line is less than $12,195) or because the household has more than one earner or other sources of income. One in eight low earners — 12.9 percent — were poor in 1990. Among married-couple families in which the husband is a low earner, however, the poverty rate was 21.4 percent. And among female-headed families where the family head is a low earner, the poverty rate was 27.8 percent.

Table I
Proportion of Full-Time Workers Earning Low Wages
1979 v. 1990

	1979	1990	Change from 1979 to 1990
All	12.1%	18.0%	+49%
Sex			
Males	7.7	13.9	+81%
Females	20.4	24.3	+19%
Race and Hispanic Origin			
White	11.4	17.1	+50%
Males	7.2	13.0	+81%
Females	19.8	23.6	+19%
Blacks	18.5	25.3	+37%
Males	14.0	22.4	+60%
Females	24.3	28.5	+17%
Hispanic Origin	19.7	31.4	+59%
Males	13.4	28.2	+110%
Females	32.2	37.0	+15%
Age			
18 to 24	22.9	43.4	+90%
25 to 34	8.8	18.4	+109%
35 to 54	9.9	13.2	+33%
55 to 64	12.0	16.4	+37%
Years of Education			
Less than 12	21.3	36.1	+69%
12	13.0	21.6	+66%
13 and over	6.2	10.5	+69%

Center on Budget and Policy Priorities
Source: U.S. Census Bureau